

**Social Procurement and its
Implications for Social Enterprise:
A literature review**

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Executive Summary

This paper reviews the available academic and policy literature to identify the possibilities and limitations of social procurement, and the factors that enable its implementation. In doing so, it aims to contribute to an evidence-based approach to social enterprise development in Australia, and to provide practical information of use to both policy makers and social enterprises considering social procurement arrangements. Based on the available evidence, the dominant focus of this review is on social procurement by governments.

Social procurement can be understood as the use of purchasing power to create social value. In the case of public sector purchasing, social procurement involves the utilisation of procurement strategies to support social policy objectives. In recent years, governments in some parts of the world have supported the development of procurement policies that incorporate social factors into their competitive review process. There has been particular interest in social procurement as a mechanism for stimulating markets for social enterprise, as part of a wider policy framework that has involved considerable devolution of public service delivery to social enterprise and the voluntary sector (Carmel & Harlock 2008; Munoz & Tinsley 2008; Kelly 2007). In Australia, there is increasing attention being paid to the potential of government procurement to deliver social outcomes within the context of achieving value for money.

The primary reasons for pursuing social procurement that are presented in the available literature are:

- to stimulate social innovation in response to complex social and environmental issues; and
- to increase value for money by producing social, as well as economic, value through the purchasing process.

Approaches to social procurement include:

- developing an explicit policy framework addressing how, when and why social procurement principles are adopted;
- making efforts to encourage participation in procurement by diverse suppliers, including social enterprise;
- incorporating community or public interest clauses into tender requests;
- use of lead agency models, where a principal provider is contracted to coordinate service delivery through sub-contracted agencies;
- social tendering, where contractual terms are negotiated with social purpose businesses; and
- distributed procurement, where funds and procurement decisions are devolved to a local agency or governance body in pursuit of social policy goals.

The literature review suggests that major barriers to developing coherent approaches to social inclusion include:

- governmental culture;
- lack of purchaser knowledge of social purpose businesses;
- the complexity of measuring and assessing social value;
- limited organisational capacity and lack of experience with public procurement amongst some prospective providers; and
- limited capacity amongst social purpose businesses to articulate their social value added.

Ways that governments can enable social procurement identified in the literature include:

- developing and implementing strategic social procurement objectives;
- educating staff about social procurement and social purpose businesses;
- making procurement opportunities available to a diversity of suppliers;
- involving suppliers in contract design, where appropriate;
- developing longer term contractual opportunities; and
- supporting social purpose businesses' access to finance.

Ways that social purpose businesses can enhance opportunities for social procurement include:

- identifying and building relationships with champions within government departments;
- getting educated about the public procurement process; and
- modelling social procurement through business to business purchasing.

The review of the literature suggests that successful implementation of social procurement requires more than creating (in the case of governments) or influencing (in the case of social enterprise practitioners) the technical rules for social procurement. Public procurement decisions are variously influenced by: the quality of relationships and levels of social capital between purchasers and prospective providers; the skills, knowledge and levels of influence of procurement staff; the level of coordination and cooperation between different functional areas and levels of government; risk orientation; and the political value placed on different methods of procurement. Any efforts to increase system-wide approaches to social procurement need to address all of these issues if they are to have any notable impact.

The review also identifies that finding effective methods of measuring and articulating social value is a challenge for purchasers, suppliers and the intermediaries that seek to develop businesses in the social economy. Overly onerous requirements in this regard could reduce competitive neutrality by disadvantaging smaller suppliers, while overly prescriptive measures have the potential to constrain diversity and undermine social innovation.

Finally, we note the significant lack of documented evidence or engagement with the question of social procurement by non-government purchasers. Potential learning arising from efforts in social procurement within other sectors is constrained by the lack of available evidence of what works and why in particular contexts.

1.0 Introduction and Background

In recent times, the potential of social enterprise to facilitate social inclusion has gained increased attention from policymakers and practitioners in Australia. Social enterprise has been placed squarely on the Federal Government's social inclusion agenda with, amongst other initiatives, a significant investment in social enterprise start up as part of the Innovation and Jobs Funds. At state government level, there has been sustained interest in the community development effects of social enterprise in the state of Victoria, and other states have implemented pilot initiatives to support social enterprise development as a response to community wellbeing and complex employment needs, amongst other issues. Some local governments - including the cities of Brisbane and Parramatta - have also identified social enterprise development as part of broader strategies to stimulate local economies and produce social and environmental benefits for their constituencies.

Social enterprise is itself a widely debated term (Pearce 2003; Barraket 2008). We define social enterprise here as organisations that exist to fulfil a public or community benefit and trade to fulfil their mission. Social enterprises operate in a diversity of industries, and take on a variety of business forms. While current policy interest focuses primarily on the social inclusion benefits of social enterprise, it should be noted that they exist to fulfil a wide range of purposes that span the four domains of society, economy, environment and culture.

As part of growing practitioner and policy interest in social enterprise, various discussions have emerged about how best to stimulate markets for social enterprise in support of their start-up and ongoing sustainability. One strategy mooted by social enterprise advocates is to maximise the power of governments as purchasers to support social enterprise through processes of 'social procurement'. The purposeful use of public procurement to support policy outcomes is not of itself a new concept. However, the application of this approach to social enterprise development is in its early stages, both in Australia and internationally.

It should be noted that the power of purchasing is not limited to the public sector. In addition to maximising the purchasing powers of governments, social enterprise advocates in some regions, particularly Canada, have focused on social procurement from the private sector as a mechanism to support social enterprise while fulfilling corporate responsibility agendas.

This paper reviews the available academic and policy literature to identify the possibilities and limitations of social procurement, and the factors that enable its implementation. In doing so, it aims to contribute to an evidence-based approach to social enterprise development in Australia, and to provide practical information of use to both policy makers and social enterprises considering social procurement arrangements. Social procurement poses possibilities and challenges for policy makers and practitioners alike. Our aim here is to illuminate these, and to document the available evidence on potential approaches to social procurement.

Based on the available evidence, the dominant focus of this review is on social procurement by governments. Strategies and tools being used to encourage social procurement through the private sector are briefly discussed in Section Seven. However, a detailed analysis of the possibilities for social procurement within the operating contexts of private sector enterprise is beyond the scope of our discussion.

2.0 The Changing Context for Public Procurement

As Erridge (2007) observes, public procurement has three sets of goals; regulatory goals that seek to meet the requirements of propriety and transparency; commercial goals that seek to meet requirements of economy and efficiency; and socio-economic goals that seek to improve the welfare of citizens. The introduction of market models of governance in the late 1970s and 1980s placed significant emphasis on commercial goals. Market governance stimulated significant shifts in service delivery from governments to market providers through processes of competitive tendering in many countries. Competitive tendering determines value principally by price and transfers as much risk of performance failure as possible from the government purchaser to the market contractor (Lawther & Martin 2005). Since the mid 1990s, however, governmental strategies have expanded notions of value beyond input costs and have included relational approaches to procurement in some policy domains. These approaches represent a change to the nature of the procurement function (Erridge & Greer 2002:505) in response to some of the perceived limitations of competitive tendering. In particular, relational approaches to procurement seek to build sustained supply relationships in order to:

- better manage the risks associated with responses to complex or ‘wicked’ policy problems (Lawther & Martin 2005);
- make best use of supplier expertise to ensure innovation in the design of service delivery (Parikka-Alhola 2008; Edler & Georghiou 2007; Barlow & Köberle-Gaiser 2008; Lawther & Martin 2005); and
- build social capital between purchasers and providers in order to reduce transaction costs and encourage linkages across sectors (Erridge & Greer 2002; Steane & Walker 2000)

Specific examples of relational approaches to procurement include:

- public private partnerships, where long-term risks and benefits are shared between purchaser and provider;
- negotiated contracts and requests for proposals, where contract specifications are determined through a negotiated process that makes use of supplier expertise;
- the use of lead agency models, where one organisation serves as the principal contractor and is given some discretion in the approaches taken to service delivery through a network of subcontracted agencies (see, for an example, (Lawther & Martin 2005);
- distributed commissioning, such as in ‘community chest’ schemes and local social partnerships in the UK, where procurement is devolved to a social or geographically defined population to determine their own service priorities (Bovaird 2006:85); and
- consultative and participative approaches to major procurement activities that provide opportunities for the public to comment on the way in which public value is assessed in procurement decisions (see, for an example, Erridge 2007).

Developments in social procurement focus on the socio-economic goals of public procurement, although they must do so within the parameters of regulatory and commercial goals. They can be broadly located within a relational approach that seeks to generate public value by building social capital between sectors and recognising the social value added by particular approaches to goods and services provision.

3.0 Developments in Social Procurement

3.1 Defining Social Procurement

Social procurement can be understood as the use of purchasing power to create social value. In the case of public sector purchasing, social procurement involves the utilisation of procurement strategies to support social policy objectives. Governments both participate in the market and construct market relationships through procurement processes (Bovaird 2006; McCrudden 2004). In this sense, the relationship between social policy objectives and procurement is more than simply awarding contracts on the basis of certain conditions, and extends to the way in which the contractual relationship is defined, the determination of qualifications of contractors, and the criteria against which contracts are awarded (McCrudden 2004:257). Distinct from conventional procurement, social procurement is about buyers taking into account the social value added that result from their purchases from particular suppliers.

Increasing engagement with social procurement reflects a wider shift in public administration away from new public management conventions that emphasise input costs and outputs, towards an 'investment mindset' concerned with outcomes and impacts. It also reflects new governance commitments to partnership between sectors, and is influenced by developments in corporate social responsibility and corporate citizenship that have driven interest in the fulfilment of multiple bottom lines.

In broad terms, social procurement occurs wherever government purchasing is purposefully linked to a social objective. In relation to procurement from social enterprise, this may range in formality from:

- incidental purchasing from specific suppliers;
- the inclusion of community or public interest clauses in tendering processes;
- social tendering – a form of the negotiated contract discussed above -where there is some flexibility in contractual terms to allow providers that deliver high social value 'to apply for contracts that match their capacity and their unique purposes' (Burkett & Langdon 2005:37); and
- the establishment of wider policy frameworks that actively encourage the participation of social purpose businesses in public procurement processes.

3.2 Social Procurement – A Brief History

Government contracts have been used to enact social policies throughout history, though the link between procurement and social justice mostly stems from the 19th century in the US, France, and England (McCrudden 2004: 258). Examples include government-directed fair labour conditions, ranging from enforcing standards for hours worked in a day to liveable wages (McCrudden 2004: 258). In the 19th century, it was not uncommon for procurement to be linked to concerns for the unemployed; for example, public works, sometimes funded through government contracts, were used as a mechanism to address increases in unemployment (McCrudden 2004: 258). Beyond supporting the needs of mainstream unemployed, government contracting was used in Britain to address the needs of marginalised populations, such as people with a disability, following World War I (McCrudden 2004: 258). In the US, The Wagner-O'Day Act was passed in 1938 'to create a Committee on Purchases of Blind-made Products' (Public Law No 739, cited in McCrudden 2004: 258), which was expanded to include 'other severely handicapped' as equal beneficiaries (Public Law 92-28, cited in McCrudden 2004: 259). In the United States, procurement strategies have also played a significant role in fulfilling policy agendas with regard to affirmative action.

The early 1990s saw the advance of ‘green procurement’ strategies, particularly at local government level, to support the fulfilment of local Agenda 21 commitments to environmental sustainability. Green procurement¹ is a well-established policy commitment at all levels of government, although implementation is not without its challenges (see Martin n.d.). Renewed interest in social procurement has raised questions about potential conflict between social and environmental objectives (McCrudden 2004), suggesting further complexity for governments seeking to balance regulatory, commercial and socio-economic procurement objectives (Erridge 2007).

3.3 Social Procurement in Contemporary Public Policy

Competitive neutrality and value for money are abiding principles of public procurement in many countries. Competitive neutrality is regarded by Treasuries around the world as a key aspect in promoting strong competition, by removing distortions that inhibit resources flowing to their most efficient use. Adherence to the competitive neutrality principle is claimed to promote allocative efficiency; that is, limited resources are allocated to their most efficient use.

The advantages and disadvantages caused by government intervention (such as tax concessions, tender preference, and tariffs) may lead to an inefficient mix of production across the economy. Competitive neutrality — by promoting a level playing field — removes artificial advantages and disadvantages to allow businesses to compete on a basis that offer the best cost and quality combination to purchasers. The presumed logic of competitive neutrality is that it produces more efficient outcomes and more efficient competition. This is dependent on there being a ‘competitive market’. For example, where there is a monopoly, restrictive trade practices or collusion between buyers and sellers, action may be warranted by government to create a competitive market or, where this is not possible, take other action to ensure resources are used for their most efficient purposes.

Government purchasing behaviour can also affect competitive neutrality by giving advantages or creating barriers to various market participants in their purchasing. That is why value for money is so important for government purchasing to ensure competitive neutrality. It could be argued that in some nonprofit sectors where government funders dominate the market and use their economic power unfairly, there may arise uncompetitive market conditions.

In Australia, public procurement at the Commonwealth level is governed by the Commonwealth Procurement Guidelines (CPGs), which are a subset of the Commonwealth Financial Framework. The CPGs are issued by the Minister for Finance and Deregulation under the *Financial Management and Accountability Regulations 1997*, and are based on the principles of value for money; efficient, effective and ethical use of resources; and accountability and transparency in Australian Government procurement activities. With regard to determining value for money, these guidelines note:

4.4 Cost is not the only determining factor in assessing value for money. Rather, a whole-of-life value for money assessment would include consideration of factors such as:

- a. fitness for purpose;*
- b. the performance history of each prospective supplier;*

¹ ‘Green procurement’ refers to procurement seeking to fulfil environmental objectives. It is sometimes referred to in the literature as sustainable procurement. However, ‘sustainable procurement’ is being increasingly used in policy literature as an umbrella term that covers both environmental and social procurement strategies. In this paper, we use ‘sustainable procurement’ in this way.

- c. *the relative risk of each proposal;*
- d. *the flexibility to adapt to possible change over the lifecycle of the property or service;*
- e. *financial considerations including all relevant direct and indirect benefits and costs over the whole procurement cycle; and*
- f. *the evaluation of contract options (for example, contract extension options).*(Commonwealth Government n.d.:6)

The use of the term ‘indirect benefits’ gives departments scope to assess social outcomes and impacts involved as part of the production process for the particular contracted good or service.

In recent years, governments, particularly in the UK and continental Europe, have made explicit efforts to support the development of procurement policies that incorporate social factors into their competitive review process. There has been particular interest in social procurement as a mechanism for stimulating markets for social enterprise, as part of a wider policy framework that has involved considerable devolution of public service delivery to social enterprise and the voluntary sector (Carmel & Harlock 2008; Munoz & Tinsley 2008; Kelly 2007).

In Australia, there is increasing attention being paid to the potential of government procurement to deliver social outcomes within the context of achieving value for money. The Australian Government Procurement Statement issued in July 2009 stresses the CPG intent that assessment of value for money be based on a ‘whole of life’ analysis. The procurement statement also notes an explicit commitment by the Federal Government to social procurement in the area of Indigenous employment, through the Indigenous Opportunities Policy:

Government procurement policy can assist in closing the gap in employment outcomes. The Government’s Indigenous Opportunities policy applies to projects with expenditure over \$5 million (\$6 million for construction and related facilities) undertaken in areas that have significant Indigenous populations with limited employment and training opportunities. (The Australian Government 2009:11).

The potential for social value to be better realised through public procurement is also noted in the Productivity Commission’s recent draft report and recommendations on the Contribution of the Not-for-Profit Sector, with Draft Recommendation 12.3 stating:

Australian governments should ensure that whatever model of engagement is used to underpin the delivery of services it is consistent with the overarching principle of obtaining the best value for money for the community. In determining value for money governments should explicitly recognise any spillover (or wider) benefits that providers may be able to generate. An evidence based approach should be used to assess the nature, extent and relevance of these types of benefits on a case-by-case basis. (Productivity Commission 2009: LVI).

At state and local government levels, there are also current examples of targeted social procurement strategies in Australia, some of which focus particularly on procurement from social enterprise. These are discussed further in Section Four.

While social procurement is receiving increasing attention in Australia, it has to date been less explicitly linked to stimulating markets for social enterprise than have strategies in the UK. This perhaps reflects the different evolutions of public policy support for social enterprise in these jurisdictions. While social enterprise has been squarely placed in the role of public service delivery across a wide range of service areas in the UK since the late 1990s, government

interest in social enterprise in Australia is much more recent (Lyons & Passey 2006; Barraket 2008; Barraket 2006), and has tended to focus rather narrowly on the potential for some types of social enterprise to deliver innovative employment services. Recent Federal Government investments in social enterprise through the Jobs Fund and associated Employment Innovation funds create an imperative for government to consider the market sustainability of social enterprises operating within this industry. At state government level, the Victorian Government's Community Enterprise Strategy has invested in locally-focused social enterprise as a vehicle for community development over the last five years, while some local governments – such as the City of Brisbane – have devised strategies to develop social enterprise as mechanisms for creating employment and enhancing the local economy. The policy priorities attached (or not attached) to social enterprise are likely to differently shape governmental interests in and use of social procurement strategies.

4.0 Approaches to Social Procurement: Some Practical Examples

There is a range of approaches to social procurement within the public sector. As discussed above, these approaches vary in their levels of formality and reach. (Erridge 2007:1027) notes that there have been relatively few formally structured public procurement projects that seek to fulfil socio-economic goals within the bounds of regulatory and commercial requirements, and limited documentation and dissemination of those projects that have been attempted. Here, we provide an overview of some of the better-documented examples of purposeful approaches to social procurement. This list is unlikely to be exhaustive, given the diversity of purchasing needs, environments and relationships that exist across different levels and agencies of governments. It should be noted also that the approaches documented in these examples are not necessarily mutually exclusive; in some cases, various approaches detailed here may be co-present in procurement arrangements.

4.1 Creating an Enabling Policy Environment: UK Office of the Third Sector and Scottish Procurement Directorate Initiatives

The UK's Office of the Third Sector has commissioned research into the barriers to including social clauses into procurement contracts, as part of their Partnership in Public Services action plan for third sector involvement, published in December 2006. In 2008, the Social Clauses Project was established in order to 'consolidate knowledge on the existing use and best practice of social clauses, provide clarity on the merits of using social clauses, and support good commissioning and procurement by producing user friendly materials to help decision makers' (Office of the Third Sector 2008: 3).

The Scottish Procurement Directorate has produced a guidance note for public procurement professionals, which provides concise advice to procurement officers on the 'how to', 'when' and 'why' behind incorporating social issues into procurement practice (see Scottish Procurement Directorate 2007).

4.2 Supplier Engagement & Diversification for Community Benefit: Brisbane City Council

Some local procurement offices set and measure progress towards reaching specific performance targets relating to social procurement. For example, Brisbane City Council has embedded commitments to social procurement within its annual procurement plans. The purpose of this approach is to build the internal capacity of Council to deliver social value through procurement by educating staff across all functional areas of Council about procurement objectives, and enabling council delegates to form direct relationships with social purpose businesses (Hume, 2009, personal

communication). The following goals were set as part of the annual procurement and disposal plans for 2009-2010:

- Increase the capacity of local social enterprises to meet demand in a sustainable fashion, with a target to deliver 5 external education campaigns with key social enterprise hubs in how to win business under Council's new procurement rules.
- Encourage business areas to look for opportunities to award work or purchases to local Social Enterprises, with a target for Council staff to liaise with the Brisbane-wide social enterprise sector (via Community Services) to highlight key opportunities for new social enterprise development in fields of likely procurement;
- Conduct 10 education campaigns with key business units and program areas during 09/10; Council staff access to detailed information about SE via F&CS database/website. Linked to procurement portal.
- Increase spend with Social Enterprise, with a target of \$500K spending target with Social Enterprise. (Brisbane City Council 2009)

These plans also provide an exemption to the procurement manual, allowing Council delegates to directly enter into contracts or issue restricted tenders with micro-enterprises, social enterprises and community enterprises - up to specified dollar amounts - where this is considered to be 'in the public interest' (Brisbane City Council 2009a).

The variety of targets set address a range of barriers that have been identified by this local government as preventing social enterprises from learning about or successfully submitting a tender for public sector contracts. The overarching purpose of this approach is to build internal capacity within Council to develop direct

4.3 Incorporating Community or Public Interest Clauses: Victoria's Office of Housing and the Northern Ireland Unemployment Pilot Project

In Victoria, The Public Tenant Employment Program (PTEP) 'provides public housing tenants with opportunities such as accredited training to develop skills, confidence and qualifications and connects people to vacancies that lead to full and/or part time employment' (State Government of Victoria 2009). The Victorian Office of Housing has developed a public housing tenant employment which requires that a proportion of the workforce delivering some public housing contracts are public housing tenants. The clause forms part of the award criteria of \$100 million worth of public housing contracts in the areas of cleaning, security and property maintenance. Since 2003 this clause has created sustainable employment opportunities for hundreds of public housing tenants to obtain ongoing work (Social Traders, n.d.:2).

The Northern Ireland Unemployment Pilot Project, which formed part of a wider initiative to advance local social and economic objectives through public procurement, incorporated a contractual requirement that suppliers include within their bid an employment plan for including registered unemployed people to work on the contract. The initiative involved 15 government contracts from seven departments ranging in value from £700 000 to £8.5 million (Erridge 2007). In an analysis of the pilot outcomes, Erridge (2007) found that it produced net job growth of 51 new positions - with 90% of participants remaining in employment at the time of the research – whilst adhering to standards of propriety and transparency in the letting of contracts and achieving economic efficiencies in comparison to other public contracts in like industries.

4.4 The Lead Agency Approach: Metro Orlando Family Services

The lead agency approach involves one organisation serving as a principal contractor and one or more other organisations functioning as sub-contractors. The underpinning logic is that socio-economic objectives will be more effectively fulfilled where service delivery and inter-agency coordination is decentralised (Lawther & Martin 2005:218). In an example of the application of the lead agency in family services provision in the US counties of Orange and Osceola documented by Lawther & Martin (2005), it was found that socio-economic outcomes were better achieved because smaller agencies acting as subcontractors were relieved of some of their administrative functions and thus able to concentrate on high quality service delivery. This study also found that the lead agency acted not just as a head contractor, but became a 'change agent' that brought more local partners and resources to the table to develop effective responses to child welfare in the region (Lawther & Martin 2005:219).

Although this case demonstrates the potential benefits of the lead agency approach, it should be noted that recent submissions to the Productivity Commission's Inquiry into the Contribution of the Not-for-Profit Sector suggest that, in some cases, the lead agency model can reduce social innovation where large organisations become dominant at the expense of a diversity of providers in service delivery, and where network closure arises from preferred sub-contracting (Productivity Commission 2009:12.30-12.31).

4.5 Distributed Procurement

Distributed commissioning through local agencies has been a hallmark characteristic of rural area-based initiatives (ABIs) in the UK for many years (Bovaird 2006). Under the Blair Government, this approach gained greater prominence as part of the New Deal for Communities in metropolitan and metropolitan fringe locales, with the establishment of local governance arrangements to administer devolved funding in pursuit of social policy goals. There is an extensive literature on the outcomes and limitations of distributed procurement associated with area-based initiatives in the UK (see, for example, (Raco et al. 2006; McCulloch 2004; Geddes 2006; Lawless 2006; Davies 2007). In one case study of the Caterham Barracks Community Trust, Bovaird (2006:91) found that the Trust played a major role in the co-production of higher quality of life, both in its own neighbourhood and the wider district.

It should be noted that two regularly cited concerns about distributed procurement within the UK ABI context are: the non-democratic nature and lack of public accountability of local partnerships empowered with decision-making over the allocation of public monies (Geddes 2006; McCulloch 2004; Raco et al. 2006); and the limited potential for strong socio-economic outcomes where local decisions are bound by centrally determined performance indicators (Lawless 2006; Geddes 2006).

4.6 Social Tendering

Social tendering is a term used to describe negotiated tendering with social purpose businesses and involves tailoring procurement opportunities to the competencies of these businesses. It can be utilised to provide niche market opportunities for social enterprises by generating reliable income streams and establishing track record in supplying government purchasers. As Burkett & Langdon (2005) note, social tendering can be used to fulfil service obligations where particular tasks required by government purchasers are not economic for large scale enterprises to provide.

There is relatively little documented evidence of the practice and outcomes of social tendering (for exceptions, see Archer & Barraket 2009; Burkett & Langdon 2005). In one case study of a relationship between the City of Yarra and the Brotherhood of St Laurence formed to develop employment opportunities for disadvantaged residents by letting a street cleaning contract to a social enterprise, (Archer & Barraket 2009) found that the desire on both sides to make the initiative work led to considerably more negotiation of the contract specifications than would usually occur in the local government's procurement processes. Case study respondents suggested that the outcomes of the initiative included innovation within the council's own service delivery, as they integrated some aspects of the employment creation approach, as well as employing a number of 'graduates' from the initiative in their own work teams.

4.7 Other Approaches

In addition to the specific examples given here, the practitioner literature from social enterprise advocates suggests a number of approaches that are important to enabling social enterprise development through social procurement. These include social tendering where prospective suppliers are involved in the negotiation of contract specifications and unbundling large contracts to allow smaller social businesses to compete (Mills 2009; Burkett & Langdon 2005). These are discussed further below.

5.0 Benefits of Social Procurement: The Available Evidence

Two presumed benefits of social procurement are articulated in the policy and practitioner literature. The first is the potential of procurement to stimulate social innovation; that is, new ideas with the potential to improve either the quality or the quantity of life (Pol & Ville 2009:881). The second presumed benefit is that social procurement can produce greater value for public spend by simultaneously fulfilling commercial and socio-economic procurement objectives. Both of these benefits have been linked to social enterprise in the practitioner literature produced by social enterprise advocates (Nicholls et al. 2006; Robbie & Hutton 2008; Burkett & Langdon 2005; Weetman 2004; Hope 2004; Sacks 2005). Here, we briefly consider the extent to which social procurement fulfils these presumed benefits based on the available empirical literature.

5.1 Stimulating Social Innovation

With regard to stimulating social innovation, (Edler & Georghiou 2007:949) suggest that 'Public demand, when oriented towards innovative solutions and products, has the potential to improve delivery of public policy and services, often generating improved innovative dynamics and benefits from the associated spillovers'. They particularly explore the demand-side as a driver to fuel innovation:

A further justification for public procurement that asks for leading edge products and services lies in the improvement of state functions and in contributing to achieving public missions...The procurement of innovation may be linked to a normative policy goal, such as sustainability or energy efficiency, and this goal may be reached sooner and more effectively through innovation (Edler & Georghiou 2007:957).

Edler and Georghiou (2007:956) suggest that public procurement has the advantage of achieving critical mass, which diminishes market risk for suppliers, enabling early economies of scale and learning. They also argue that public procurement can lower the transaction costs of adapting to new products, by implementing or demonstrating the use of an innovation and signalling its

functionalities to the private market. This can build trust and interest in innovative products and establish meaningful standards for their use (Edler and Georghiou 2007:957).

Barlow and Koberle-Gaiser (2008), however, argue that not all relational models of public procurement offer innovation and efficiency benefits. They dispute Edler and Georghiou's (2007) premise based on an analysis of six cases within a private finance initiative to operate and procure new National Health Service hospitals in the UK, which have the stated purpose of stimulating service innovation through public procurement. They found that innovation was constrained in the cases they studied in two ways. First, risk allocation by commissioning authorities resulted in highly prescriptive project specifications from the outset, which minimised the flexibility required to negotiate innovative responses to hospital design and construction. Second, they found that strict separation between the project delivery (of hospital infrastructure) and the clinical operational side limited interactions between designers and end users (Barlow & Köberle-Gaiser 2008:1400). This research also found that the scale of the initiatives – which involved one-off hospital infrastructure development in a series of locales - led to limited diffusion of innovation through inter-project learning, with only one project in six conducting a detailed post-project evaluation. Finally, this study found that cultural differences between private and public sectors limited innovation, with research respondents particularly identifying risk averseness and lack of creative thinking within the public sector as an inhibitor (Barlow & Köberle-Gaiser 2008:1398).

Barlow and Koberle-Gaiser's (2008) research suggests that the potential of a private finance initiation (PFI) to stimulate social innovation is in part contingent upon the approach to contract design. This finding is reinforced by Bovaird's (2006) case study analysis of the use of a PFI to administer revenues and benefits within a local authority. Reflecting on the apparent success of this case, he notes that:

The explicit design of the contract to ensure that both parties would commit fully to the co-production – at both planning and implementation phases – of a new service configuration, was rewarded with a much more innovative set of behaviours than is typical in such collaborations between public and private sectors (Bovaird 2006:88)

The literature reviewed in this section thus far focuses particularly on the possible impacts of public procurement on social innovation in general terms. The available empirical literature on procurement relations between social enterprise and governments has noted threats to innovation where social enterprises' revenue streams are heavily reliant on government contracts (Aiken 2006; Spear & Bidet 2005). As these studies suggest, over-reliance on single sources of government procurement can inhibit the potential of social enterprises to be socially innovative where it leaves them economically vulnerable or subject to capture by governmental agendas not consistent with their own missions.

5.2 Social Value Added

The core principle of social procurement is to create social value through purchasing. Empirical evidence of the outcomes and impact of social procurement is relatively sparse at the time of our review of the literature. As discussed in Section Four above, the limited available evidence suggests that the use of public or community interest clauses in public procurement can create strong social value while maintaining economic efficiencies and fulfilling regulatory obligations, while the outcomes from activities such as distributed procurement and lead agency procurement are more mixed. A major problem in assessing the evidence on the ways in which social procurement produces social value is determining the way in which social value has been measured. There is virtually no publicly available evaluation literature that aligns the analysis of social value with the

original strategic procurement objectives, while academic case studies tend to focus on generalised assumptions by the authors of what constitutes social value, rather than examining the types of value produced in relation to stated aims (for an exception, see Erridge 2007). Articulating social value added is also a challenge for suppliers; in survey research about sustainable procurement practices in the UK, (Wilkinson & Kirkup 2009) found that suppliers lacked a coherent approach to measuring or demonstrating social benefit.

A fundamental assumption of those that link social procurement to support for social enterprise is that these types of organisation are uniquely placed to produce strong social value within the economic system. While it may seem self-evident that businesses that exist for a public or community benefit are likely to produce relatively high social value, the empirical evidence of the impacts of social enterprise are, to date, fairly limited (Dart 2004). The focus of empirical social enterprise research has been on: understanding the dynamics of social enterprise sectors in different regions (Kerlin 2006; Defourny & Nyssens 2006; Defourny 2001; Spear & Bidet 2005); examining issues relating to organisational governance, finance and management (Dees 1996; Dees et al. 2001; Ridley-Duff 2007); and comparative analyses of social enterprise movements in different countries (see Kerlin 2006; Defourny & Nyssens 2006). Dart (2004) suggests that current enthusiasms for social enterprise are underscored more by the symbolic legitimacy of 'doing social good through business' than they are by practical legitimacy based on evidence that social enterprise produces relatively better outcomes than other forms of social purpose activity.

The limited available empirical literature suggests that some forms of social enterprise:

- produce strong outcomes in terms of economic participation for individuals and communities (Barraket & Archer forthcoming; Mission Australia 2008; Ferguson & Xie 2008; Cameron & Gibson 2005; Spear & Bidet 2005);
- create new opportunities for social participation and the development of social capital (Hopkins 2007; Barraket & Archer forthcoming); but
- are less successful at stimulating civic engagement amongst individual participants (Hulgård & Spear 2006; Barraket & Archer, forthcoming).

While these studies shed some light on the types of social value accruable through social enterprise, the research evidence is limited and uneven. The concept of social enterprise also captures a very broad range of organizational types and interventions, thus limiting the comparative value of the evidence available. It should be noted that the demonstration of social value is incumbent upon all prospective suppliers in the social procurement process and is not limited to social enterprise. As identified above, the available research evidence finds that measurement and demonstration of social benefits amongst mainstream business suppliers is also very limited (Wilkinson & Kirkup 2009).

6.0 Barriers to Social Procurement: Demand and Supply side Considerations

Several barriers to advancing the scope and impacts of increasing social value through public procurement are identified in the literature. On the demand-side, the major barriers are governmental culture, lack of knowledge of social purpose business, and the complexity of assessing and measuring social value. On the supply side, supplier understanding of the procurement process, and the relative capacities of social purpose businesses can inhibit access to procurement opportunities and successful fulfilment of public procurement requirements.

6.1 Demand-side Barriers

6.1.1 Governmental Culture

Governmental culture as an inhibitor of social procurement is a consistent theme in the available research literature. In an evaluation of the UK Central Government Policy on Public Procurement, Erridge & Greer (2002) examined the issues influencing government's capacity to establish long-term partnership relationships with suppliers. Based on a survey of heads of procurement in 60 departments and interviews with heads of procurement and members of senior management boards in 17 departments and agencies, they identified a range of barriers to developing collaborative supply relationships. Specifically, they found that:

- a risk averse culture amongst procurement staff, influenced by perceptions of governmental propriety and transparency within the bureaucracy and amongst political leaders inhibited close supply relations;
- administrative compliance burdens for procurement officers and short term arms length contractual arrangements limited their ability to develop more collaborative supply relationships;
- lack of ownership of strategic procurement objectives amongst senior staff restricted implementation of the objectives;
- the narrow role and influence of procurement staff constrained their potential to build supply relations; and
- high turnover of procurement staff and very little investment in training staff in strategic procurement objectives inhibited staff ability to interpret and apply these objectives.

In a study of procurement relationships between the public sector and social enterprise in the UK, Munoz (2009) similarly found that cultural factors within government were a significant inhibitor to advancing social procurement through social enterprise. Munoz's (2009) research, involving 40 social entrepreneurs and 17 public sector procurement professionals, found that fear of unfairly biasing procurement processes, along with restrictive procurement procedures arising from EU regulations, held public sector staff back from making their procurement processes more accessible to social enterprises and third sector organisations. Edler & Georghiou (2007) have also observed that limited coordination between government departments can be a disincentive to social procurement, where social returns from purchasing decisions in one department or agency accrue to another department or level of government. This suggests that targets and incentive structures within and across levels of government require some degree of coordination if strategic procurement objectives that transcend individual departments are to be achievable (Edler & Georghiou 2007:953).

6.1.2 Lack of Knowledge of Social Purpose Business

People in the council that I speak to don't know what added value is, and have barely heard of social enterprise, I don't know how we're going to get anywhere [with procurement] until the council start to think that we're worth employing, until they understand what social enterprise is about (Dave, Social Entrepreneur cited in Munoz 2009:73-74).

Munoz's (2007; 2009) UK research highlights the limitations to procurement opportunities for social enterprise that arise from limited governmental knowledge of what social enterprise is and the way it operates. This lack of knowledge has also been found in an Australian study of local government and social enterprise interactions (Barraket & Archer 2009). Many social enterprises are small to medium businesses and thus face the range of barriers to competition that mainstream small to

medium businesses also face. In addition, social enterprises may face productivity constraints, where they employ trainees or people facing barriers to full participation (Mission Australia 2008). Some types of social enterprise are also constrained by lack of access to finance relative to mainstream businesses. In concrete terms, lack of purchaser knowledge of the way social purpose businesses operate can lead to:

- tender and reporting requirements that are overly-complex relative to risk and create unsustainable administrative burdens for small suppliers (Purcell 2004; Weetman 2004 Loader 2007, cited in Munoz 2009; Office of Government Commerce 2004).
- payments lags that create cash flow difficulties particularly for businesses that are not have adequately financed, a common experience of social enterprises (Purcell 2004; Heeks & Arun 2009);
- short contracts that offer minimal commercial incentives relative to the requirements of tendering and reporting (Purcell 2004);
- inadequate communication of procurement opportunities to all prospective suppliers within the mainstream and social economies (Purcell 2004; Weetman 2004; Office of Government Commerce 2004; Munoz 2009); and
- lack of sustained relationships between procurement staff and suppliers.

Munoz (2009:78) reports that, in each focus group she held, 'participants discussed a lack of communication between social enterprises and the public sector as a barrier to increasing the amount of public sector purchasing from social enterprises'.

6.1.3 Complexity of Measuring and Assessing Social Value

In order for socio-economic procurement objectives to be aligned with the principle of competitive neutrality, clear definitions of social value and transparent processes for assessing such value are required. Yet, the notion of social value is broad and incorporates a wide range of potential objectives. Social value may include, for example:

community benefits; core labour standards; disability equality; employment and training issues; fair trade; gender equality; race equality; small and medium size enterprises...workforce skills, including adult basic skills. (Office of Government Commerce 2006:1).

In a review of sustainable procurement practices in which the authors sought to generate a methodology capable of producing meaningful measures of sustainability that can be used in the procurement process, (Wilkinson & Kirkup 2009:10) found that social indicators were the least successfully measured indicators, because most suppliers do not have a coherent approach to achieving or measuring social benefit. They concluded that, for an indicator to be included as a meaningful measure, it must be usable within a public procurement process and must be capable of being expressed as a key performance indicator (Wilkinson & Kirkup 2009:7). Erridge (2007:1031) observes that measures of public value are highly contestable and suggests that, in order to mediate between the particular values pursued by different sectors of the public, procurement procedures should incorporate consultative and participative processes.

The complexities of defining and evaluating social value within the procurement process can create compliance challenges for governments. Documented examples of the use of social procurement strategies that comply with regulatory requirements and the competitive neutrality principle are increasing. However, it is notable that a dominant reason for avoiding social procurement that presents in the empirical literature is procurement staff concerns about breaching legal

requirements (Erridge & Greer 2002; Munoz 2009; Office of the Third Sector 2008). The findings from the UK Office of the Third Sector's 2008 Social Clauses Project found, for example, that:

...commissioners are hesitant to consider including social issues in procurement due to a low understanding of how social issues can be included in service delivery contracts and how they can be evaluated within tender evaluations (Office of the Third Sector 2008: 1).

6.2 Supply-side Barriers

6.2.1 Organisational Capacity and Lack of Experience of the Procurement Process

Many, although certainly not all, social purpose businesses are small to medium enterprises. The social enterprise sector is constrained by limited access to appropriate sources of finance, among other challenges, which limits its ability to take ideas and projects to scale. Staying small can minimise social enterprises' capacity to secure big contracts, and to sufficiently compete with big companies:

'The challenge seems partly related to the sector itself and its lack of capacity, funding (and perhaps culture or confidence), and partly related to the way that commissioning and procurement systems favour larger private and public providers' (Mills 2009:3).

A number of studies and policy research documents have identified lack of experience as a supplier as a barrier for prospective suppliers in two ways. First, lack of knowledge of the procurement process can result in limited confidence to participate. Second, lack of participation equates to lack of track record, which reduces the competitiveness of suppliers where experience of supplying to governments forms part of the assessment criteria for awarding contracts (Weetman 2004; Scottish Procurement Directorate 2007; Munoz 2009)

6.2.2 Limited Capacity to Measure and Articulate Social Value

Just as evaluating social value is challenging for purchasers, measuring and demonstrating social value can be difficult for suppliers. Social enterprises are consistently challenged by the need to measure and articulate their value add, in terms of specific social outcomes (Munoz 2009: 75). Munoz (2009) found that available social accounting tools were either not well understood by social enterprise practitioners or that practitioners felt they were not adequate for measuring added social value produced through their work. Some social entrepreneurs involved in this study also felt that the output of such exercises would not be seriously considered in public procurement processes (Munoz 2009). As Nicholls (2007:14) observes, however, effective measurement and communication of the social value added is central to advancing public procurement from social enterprise:

At its heart this is a simple proposition – better information for those making decisions to spend money to meet their needs can contribute to changing those decisions. If that information relates to the impact of spending on social inclusion and inequality then the decisions may have more inclusive consequences. Businesses that can understand their stakeholders' objectives, and find ways of measuring and reporting against progress to meeting these, have an opportunity to become more competitive. Social enterprises can influence, both through their work and their ability to measure social impact, the extent to which those spending recognise the relevance of social value to their own spending decisions and develop new sources of information in this process (Nicholls 2007:14).

While lack of effective measures of impact can limit the possibilities of procurement based on social value creation, it must be noted that the development of universally applicable measures could further disadvantage some suppliers and/or inhibit social innovation. As recently observed in the Productivity Commission's Draft Report on the Contributions of the Not-for-Profit Sector, complex measures of impact can disadvantage smaller organisations (Productivity Commission 2009).

7.0 Enablers of Social Procurement

Creating an enabling environment for social procurement requires responses on both the purchaser side and the supplier side. The policy and practitioner literature reviewed also suggests a role for social enterprise intermediaries. Below, we canvass the main strategies, as well as providing examples of existing tools in use to support social value creation through social procurement.

7.1 By Governments

7.1.1 Develop Strategic Social Procurement Objectives

Systematic approaches to social procurement through the public sector require policy frameworks that explicitly align government purchasing decisions with socio-economic policy objectives. As noted in the discussion above, those jurisdictions where social procurement is becoming well-established have been supported by research and policy development from agencies, such as the Office of the Third Sector, that have a remit to coordinate government activity in support of socio-economic goals. The Responsibility in Procurement's guide on socially responsible procurement in the construction industry also notes that, at the individual agency or local government level, having publicly promoted policy frameworks that support and explain the purposes of social procurement increases the transparency, and thus the regulatory compliance, of the social procurement process (Defranceschi & Vidal 2007). Without explicitly articulated and implemented policy objectives, social procurement is likely to remain piecemeal and under-utilised.

The Scottish Procurement Directorate (2007:9) elaborates the points in the procurement cycle where socio-economic objectives should be considered to ensure that they are both effective and transparent:

- *'[At] the outset, to ensure that the social dimension is fully taken into account when requirements are being drawn up,*
- *at advertising,*
- *at selection stage, where thought has to be given to ensure that the target audience is aware of requirements and how to respond to them, and*
- *after contract award, where working co-operatively with contractors can make further improvements in social issues and at the same time send out a clear signal to suppliers about the public body's objectives in this area* (Scottish Procurement Directorate 2007:9).

7.1.2 Educate Staff

A dominant finding of the empirical literature reviewed here is that government staff perceptions of legal compliance with regard to public procurement, and lack of knowledge of social enterprise, can significantly limit the potential for social procurement. This includes the perceptions of individual procurement staff, as well as the influence of senior staff and instated departmental norms. As discussed above, there is considerable scope for social procurement to occur within the bounds of existing legal frameworks.

In some jurisdictions, central agencies and/or social enterprise advocates have produced guidelines for social procurement targeting procurement professionals (for examples, see (Scottish Procurement Directorate 2007; Burkett & Langdon 2005; Defranceschi & Vidal 2007).

In addition to the availability of print resources, the empirical literature suggests that training of procurement staff is important in developing a governmental culture supportive of strategic procurement objectives (Erridge & Greer 2002; Munoz 2009).

7.1.3 Make the Procurement Process Accessible to a Diversity of Suppliers

Reducing barriers to participation by diverse suppliers in the procurement process is consistent with the principle of competitive neutrality. Making procurement processes as visible as possible, and supporting diverse suppliers to develop successful proposal writing can assist social purpose businesses to participate in public procurement (Nicholls 2007).

The UK's Department of Trade and Industry produced an extensive toolkit in 2003 to facilitate social enterprises' successful tender for government contracts. Their *Toolkit for Social Enterprises* is a comprehensive guide for social enterprises and community organisations who are already engaged in or would like to seek out a public contract, covering every stage of the procurement process and things for enterprises to consider along the way. Scowen (2004) suggests simple strategies that can be implemented by procurement offices to promote contracting with social enterprises, including: 'reducing thresholds for tendering; adding clauses in tender documents on the approach to social enterprise contractors; advertising contracts on councils' websites' (Scowen 2004:17).

Clearly communicating what is expected of and required by suppliers in the tendering process is an important aspect of creating an enabling environment for successful contracts with social enterprises. As a result of the UK's 2004 National Procurement Strategy, all councils are expected to publish a "selling to the council" guide on their websites, to encourage business with a diverse range of suppliers...building the supplier base is very important, not least to improve the quality of services delivered locally' (Hope 2004: 8). While local government in Australia does not have the same constitutional recognition as it does in the UK, there are clear efforts at different levels of government to encourage competitive neutrality by reducing barriers to successful tendering for small to medium enterprises. The Australian Government procurement guidelines, for example, note:

5.3 To ensure that SMEs... are able to engage in fair competition for government business, officials undertaking procurement should ensure that procurement methods do not unfairly discriminate against SMEs.

5.4 Agencies should seek to ensure that procurement processes are readily communicated and accessible to SMEs and should not take action to deliberately exclude SMEs from participating.

5.5 Agencies need to ensure that SMEs have appropriate opportunities to compete for business, considering as appropriate in the context of value for money:

- a. the benefits of doing business with competitive Australian or New Zealand SMEs when specifying requirements and evaluating value for money;*
- b. the capability and commitment to regional markets of SMEs in their local regions; and*
- c. supplier-base and competitive benefits of access for new market entrants.*

5.6 The Government is committed to FMA agencies sourcing at least 10 per cent of their purchases by value from SMEs. (Commonwealth Government n.d.)

Active implementation of these guidelines can support the fulfilment of socio-economic procurement objectives by ensuring social purpose businesses' market access.

7.1.4 Involve Suppliers in Contract Design where Appropriate

Where social innovation, including innovation in service delivery, is a specific socio-economic objective, the literature is consistent in recommending negotiated contracting, including social tendering. The principal benefit of negotiated tendering is that the expertise of the prospective supplier or suppliers is integrated at the design stage, which provides greater scope for innovation to occur at the point the contract is executed.

Negotiated tendering has also been identified as a strategy for supporting new market entrants, particularly social enterprises (see Burkett & Langdon 2005; Archer & Barraket 2009; Munoz 2007). Social tendering can provide opportunities to communicate expectations, negotiate contract scale, and identify opportunities for consortia or sub-contracting arrangements that allow enterprises of different scale and scope to participate:

Being involved at the earliest stage possible...appears to enable social enterprises to work with procurement officers to integrate social clauses into tender specifications (Munoz 2009:78).

7.1.5 Consider Longer-Term Contracts

To be confident investing in growth and be sustainable, social enterprises need to have reliable customers that they can count on for ongoing income streams (Piggott 2004; Burkett & Langdon 2005). Longer term contracts provide income certainty, and reduce the administrative burden on small suppliers associated with the tender process (Burkett & Langdon 2005; Erridge & Greer 2002).

7.1.6 Support access to finance

Access to appropriate financing is important to the sustainability and competitiveness of all businesses. Where social enterprises are relied upon as a vehicle to fulfil public policy agendas, strengthening their resource base and preparing them to bid competitively for contracts is critical to those policy agendas. As a unique form of business, social enterprise faces considerable barriers to accessing appropriate forms of finance (Burkett & Drew 2008). The implications of this are realised in the UK's Social Enterprise Investment Fund, which was established in 2007 to help promote social enterprises' participation in providing social and health care (Department of Health 2009). The Fund offers investment to help new enterprises launch and assist operating social enterprises to expand and enhance their services. The Department of Health hopes to enhance the quality of services available to patients (Department of Health 2009). Burkett and Langdon stress the importance to social enterprise of diverse financial products and relationships, including philanthropic venture capital, no interest loans for the development of social enterprise, investment built in to the social tendering process, social economy in-house or peer investments, ethical shareholding, and commercial investments for financial returns from community development finance institutions (Burkett and Langdon 2005: 30-32).

7.2 By Suppliers

7.2.1 Identify Champions

Burkett and Langdon (2005:27) suggest that ‘opportunity champions’ – that is, people within governments prepared to advocate to develop opportunities and find mutually beneficial and sustainable ways to structure procurement relationships – are critical to developing successful social procurement opportunities. The importance of these champions, or ‘institutional entrepreneurs’, was also identified in an Australian study of local government-social enterprise relations (Barraket & Archer 2009). This suggests that social purpose businesses interested in developing social procurement opportunities should be active in identifying and building relationships with prospective champions.

7.2.2 Get educated about the Procurement Process

Delivering services and making products for the public as well as private sector can be an important strategy to expand the market (Piggott 2004:6). But to work effectively with the public sector, it is important to become knowledgeable about their social or environmental goals and explore how these can be met, as one social entrepreneur explains: ‘Our knowledge of central government was crucial. We were aware of government targets on environmental and social reporting, and demonstrated that we could help the [Department of Trade and Industry] to meet these’ (Triggs cited in Piggott 2004: 6).

7.2.3 Model Social Procurement

A great deal of emphasis has been placed by social enterprise advocates on the potential of government purchasing to stimulate markets for social enterprise. Anecdotally, we are aware of initiatives to stimulate business to business purchasing between social enterprises through social enterprise hubs, both locally and internationally. Social enterprise purchasing portals and online marketplaces increase opportunities for social enterprises to purchase from each other. While we identified no documented reflections on the effectiveness of business to business purchasing between social enterprise, it is likely that these activities can enhance social enterprises’ competitiveness in other markets, by providing opportunities to document the benefits of social procurement, and develop their capacity to supply through cycles of feedback between businesses.

7.3 By Social Enterprise Intermediaries

7.3.1 Facilitate the Sharing of Learning Amongst Procurement Professionals and Social Enterprises

Lack of knowledge amongst procurement professionals about what is possible with regard to social procurement is a persistent theme in the empirical literature. One way to overcome this is to develop fora for sharing information and case examples of social procurement in practice in common jurisdictions. Two good examples of this in the UK are the East Midlands Centre of Excellence’s Sustainable Procurement Information Network, which is a website dedicated to supporting local authorities to procure sustainably (see <http://www.s-p-i-n.co.uk/index.asp>), and the New Economics Foundation’s ‘Procurement Cupboard’, which provides procurement professionals with relevant case studies, tools, and primary documents in this area (see <http://www.procurementcupboard.org/>). The Canadian Social Enterprise Purchasing Toolkit is also a dynamic tool developed to link prospective private sector purchasers with social enterprise, demonstrate the corporate benefits of social procurement and provide an information

clearinghouse of research and tools related to social procurement (see <http://www.enterprisingnonprofits.ca/se-purchasing-toolkit>).

7.3.1 Support Suppliers to Demonstrate their Social Value

Like all procurement processes, social procurement by governments must be underpinned by the value for money principle. In the case of social procurement, the social value added by a particular supplier forms part of the assessment of value for money. In order for government purchasers to make such assessments, social suppliers must be able to articulate and justify a clear measurement of added social value.

Support to help a social enterprise demonstrate that it can provide the best value in an increasingly competitive environment is critical to its success; the fact that a social enterprise satisfies a currently unmet community need is not enough to sway a government office to purchase through them (Purcell 2004: 19). The difficulty here is in the dearth of effective, user-friendly impact measurement tools. Sanfilippo (2004) describes four specific tools to help social enterprises measure and articulate their success, including impact mapping, social accounting, Local Multiplier 3 (LM3), and Social Return on Investment (SROI). Many tools are available online but training and, more specifically, cost-effective technical assistance to implement such tools are difficult to secure. Social enterprise intermediaries can play an important role in supporting social enterprises and other social purpose businesses develop and implement fit for purpose approaches to measuring their social value.

8.0 Conclusion

The purpose of this paper has been to document, via systematic review of the available research and policy literature, the possibilities and challenges of social procurement and their implications for policy makers and social enterprise. The review reveals two dominant themes and one area that is significantly under-researched.

The first dominant theme that presents in the literature reviewed is the importance of the social, cultural and political dimensions of the public procurement process in determining opportunities for and barriers to social procurement. As Bovaird (2006) observes:

The recognition that procurement decisions in the public sector involve the understanding of behaviours within complex adaptive systems is an important counterweight to the belief in 'linear' procurement models...It means that procurement now has to be seen as a social, rather than just a technical process (Bovaird 2006:97).

This suggests that successful implementation of social procurement requires more than creating (in the case of governments) or influencing (in the case of social enterprise practitioners) the technical rules for social procurement. Public procurement decisions are variously influenced by: the quality of relationships and levels of social capital between purchasers and prospective providers; the skills, knowledge and levels of influence of procurement staff; the level of coordination and cooperation between different functional areas and levels of government; risk orientation; and the political value placed on different methods of procurement. Any efforts to increase social procurement need to address all of these issues if they are to have any notable impact.

Recognising the relational dimensions of procurement also encourages us to look beyond the visible technical components of procurement to examine all aspects of the procurement process. These include, for example: the initial choice of procurement model; the creation of the contractual instrument; the communication of procurement procedures to prospective suppliers; methods of

evaluating prospective suppliers; and cycles of feedback between purchasers and suppliers. Each of these can influence the likelihood of social procurement being embedded in public procurement processes in a sustained manner.

The second major theme that emerged is the challenges of assessing social value. Measuring value based on input costs and outputs is a relatively simple process; measuring social value based on impacts and outcomes is considerably more complex. As discussed in Section 7.0, social value must be able to be systematically assessed if social procurement is to be embedded within the universal public procurement principle of value for money. Much of the practitioner literature on social procurement has arisen from the social enterprise sector and has thus focused on the social value produced by these types of business. Yet social value is not the exclusive domain of social enterprise, nor can it be presumed that all social enterprises produce comparatively more social value than other suppliers. Finding effective methods of measuring and articulating the social value added, which is a core requirement of social procurement if it is to remain consistent with principles of value for money and competitive neutrality, is a challenge for purchasers, suppliers and the intermediaries that seek to develop businesses in the social economy. Overly onerous requirements in this regard could reduce competitive neutrality by disadvantaging smaller suppliers, while overly prescriptive measures have the potential to constrain diversity and undermine social innovation.

Finally, we note the significant lack of documented evidence or engagement with the question of social procurement by non-government purchasers. Our literature review yielded very little written about social procurement within the private sector, with the exception of work discussing partnership approaches to procurement and/or supply (such as Mills 2009)². We found no such literature that examined the practice or potential of social procurement by the not for profit sector. While the absence of literature does not necessarily equate to the absence of practice, it is clear that the potential learning arising from efforts in social procurement within these sectors is constrained by the lack of available evidence of what works and why in particular contexts.

² As previously noted, stimulating social procurement by the private sector has also become an important strategy in some social enterprise sectors, particularly in Canada.

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